



STATE OF THE STATE ADDRESS

GOVERNOR JANET NAPOLITANO

PRESENTED TO THE 47TH ARIZONA LEGISLATURE
SECOND REGULAR SESSION
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President Bennett, Speaker Weiers, Honorable Senators and Representatives, Chief Justice McGregor and members of the Supreme Court, members of our Congressional delegation, tribal leaders, honored guests, and my fellow Arizonans:

The State of Arizona is strong and growing stronger. I stand before you today, proud of the ground we have covered together, proud of the work we are doing. I am determined to build on our work, not rest on it – to make Arizona stronger still.

An Arizona that is safe, strong and prosperous for every Arizonan. For the past three years, that has been our guidepost. Safe, strong and prosperous for all. My friends, that is – and must remain – the work of our hands.

Together – to protect our people from threats that are homegrown, lab-made, or imported.

Together – to raise up children who are healthy and wise.

Together – to grow our economy and expand the circle of prosperity by pursuing breakthroughs in science and technology that will transform us into a nerve center of new ideas.

Safe, strong and prosperous. It's what Arizonans want; it's what Arizonans deserve.

One of the great joys that accompanies the privilege of being governor is the chance to travel across our state, to meet the people that make Arizona what it is, and to hear directly from you about what kind of future you want to build.

You want us to keep moving forward, to set our sights even higher, to work every day to build an Arizona that is ever more safe, ever more strong, and ever more prosperous. My friends, that is exactly what we will continue to do.

To make us safer, I will propose a comprehensive, \$100 million border security package that provides state and local law enforcement with the resources they need to uphold the rule of law at our border. In addition, I will propose tough but fair measures to help parents protect their children from sexual offenders and to help law enforcement crack down on methamphetamine manufacture and distribution. And I will propose a plan to begin to offer safe harbor – finally – to all those who suffer the effects of domestic violence.

To make us stronger, we will take bold steps to give our children a world-class education, up to and including a university degree. We will take up the challenge of accessible and affordable



health care. We will urge new initiatives to meet the demands of our current rate of growth including transportation and water.

To expand Arizona's prosperity, we will provide \$100 million in smart tax relief that strengthens our economy and invests in new technologies that will create the jobs of the future.

And finally, we will continue to manage the state's finances responsibly, like every family, with careful planning and common sense. We will pay our bills, invest in those things that will bring the best long-term payoff, and put money away in savings so we can deal with the inevitable crises of the future.

We all know that the future of Arizona ultimately depends on the reach and grasp of our children – the reach of their imaginations and the grasp of their abilities.

Nothing is more important to a child's future than his or her parents. But great schools can make an enormous difference.

Better-educated children dream bigger dreams and get better jobs. Better thinkers and more qualified workers attract better and more profitable businesses. The standard of living goes up across the state, our ability to offer the very best to our children grows, and the payoff continues for generations. Strong families, strong children, strong schools, strong state.

To make our education system the very best it can be, I call on the Legislature to do four things:

- Expand voluntary all-day kindergarten so it is available to every parent who wants it for his or her children;
- Increase teacher compensation, so that we begin to pay teachers at a competitive rate for the critical work we ask them to do;
- Provide professional development and ongoing training to keep our best teachers in the classroom; and
- Support increased funding for our community colleges and universities, including increased student aid, so that all Arizonans – young people and people already working who need new skills – have access to world-class higher education.

Parents have demanded voluntary full-day kindergarten. Two years ago, you approved it. This year – let's complete it. Young minds are hungry for information and develop quickly – the more they learn, the more they can learn. Let's offer voluntary full-day kindergarten to every parent who wants it, and let's do it this year.

Of course, we're not going to have better kindergarten, and then forget about everything that comes after it. We need better first grade, better second grade – better, better, and better until we're the best. That's the only standard we should have for education in Arizona. The best.

We know that nothing is more important to success in education than qualified teachers. We expect our students to be more technologically literate, more grounded in math and science, and more adept at lifelong learning than ever before.



We can expect no less of our teachers.

But we cannot expect the best from our teachers as long as we continue to pay them a paltry sum.

We need to bring teacher pay in line with teacher responsibility. Teaching shouldn't be the 'last resort' for students as they enter college and begin to think about future careers. Our state universities report that when the economy is good and college students believe they have other options, applications to colleges of education go down. It is time to stop underpaying the people in whose hands we entrust the future of our children.

I offer you this challenge today: let's give a pay raise to every teacher in Arizona.

In my budget, I will propose a two-year plan to bring teacher salaries to a realistic level and to remedy our state's glaring lack of teacher professional development.

I am asking you to pass legislation that will increase the base salary so that every teacher in Arizona makes at least \$30,000 a year. And that's just a start.

In addition, I ask you to appropriate the dollars necessary to ensure that every teacher also receives a raise this year.

Let's make a commitment together – in Arizona, teachers will be paid a wage that matches the trust we place in them, not one that belies it.

Next, we need to recognize that the education of the teachers themselves shouldn't just stop when they graduate from college. To teach with excellence, they have to keep learning, stay in step with the world of knowledge; it's how they best teach their students.

That's professional development, and it is our job to ensure that teachers get it. We need to hold them accountable for mastering it. And we need to reward them when they do.

The bad news is we have no statewide system for professional development. The good news is that we have a very limited but highly successful program – called "Career Ladder" – that has been providing professional development in 28 Arizona school districts with great results for more than a decade.

"Career Ladder" does exactly what we've been talking about: it provides professional development; evaluates teacher performance based on student performance; and rewards teachers for success with increases in pay.

It's here, it's ours, and it works. Now let's take the Career Ladder concept statewide. In the second part of my plan, I will ask you to provide funds to the State Board of Education so that school districts receive the assistance and guidance they need to fully implement teacher professional development.



We should also integrate any professional development system with the Master Teacher program we've been building for the last two years.

Finally, we need to make sure that what we teach and how we teach is the right preparation for success and prosperity in the 21st century. We have already begun the work of making our educational goals – from pre-school through college – meet the real-life demands of today's economy and job market.

We need to replace old teaching systems with methods that take advantage of new knowledge about the way children learn. We need to adapt old curricula to reflect new understanding of what our children need to succeed in a world that is rapidly changing.

Once they're successfully through the elementary and secondary grades, we need to make it easier for students to go to college. I propose that we increase substantially the amount of student aid we provide, and that we hold down the rate of tuition increases at state universities.

Our universities and community colleges are more than academic centers – they're economic engines that produce a smart, skilled workforce. They deserve our full support.

A great public education system that starts early, stays strong, and graduates young people prepared for the 21st century – that's how we keep Arizona strong.

So, when those young women and men are ready to enter the workforce, they have a right to expect a thriving Arizona economy where they can make the most of what they learned.

When I took office in 2003, Arizona was in a full-fledged fiscal crisis – with a billion dollar deficit. Unchecked, that deficit would have continued to grow, eventually starving our ability to provide all kinds of critical services.

Well, we came together, and we eliminated the deficit. We did not raise taxes. We did not cut education. We were thoughtful, compassionate, and responsible – we were lean, but never mean – and we managed our way out of debt and back to solvency.

The State of Arizona is prosperous again. Our revenues are healthy. Our economic outlook is strong.

But we have learned – and I, for one, will never again allow us to be unprepared for a financial crisis. Economies ebb and flow; revenues go up and down; expenses are not always predictable. The economy has cycled up; it will, one day, cycle down again. And this time, we're going to be ready.

My friends, the long-term economic security of our state is most definitely our job, and our legacy. So make no mistake – when it comes to budget policy, responsibility is word one on my watch.



This is what responsibility means – we pay our debts; we invest in initiatives – like education – that will mean big future payoffs; and we save money to deal with the crisis down the road.

Three years ago, business leaders came to us and said – if you can provide us with targeted tax relief, we'll reinvest in Arizona and create good jobs. So we worked with them and it's working for Arizona. We reduced the property taxes for businesses. And the 'sales factor' bill that you passed into law last year is responsible for bringing a \$3 billion Intel fabrication plant to Chandler and thousands more jobs to Arizona.

We've helped business, which helps our people in turn by creating jobs. And with smart, targeted tax relief, we can continue to help families meet the climbing costs of daily life – starting with health care, school supplies and gasoline.

There are a million people in Arizona who do not have health insurance. Most are hard working people who want coverage for themselves and their families, but their employers don't offer it and they don't make enough to afford it on their own.

One quarter of the uninsured work in very small businesses – those with fewer than 25 employees – where the high cost of health insurance forces too many business owners to choose between providing health care or providing jobs.

Today, I propose that we offer a tax credit to every one of those small businesses currently providing health insurance to their employees. Businesses that start offering health insurance will then have the same credit available. It's a helping hand to those already doing the right thing, and it's an incentive that will make it easier for businesses that want to, but are struggling themselves.

To match the employer credit, I am proposing a health care premium subsidy for low-income workers to help them pay their share of the premium costs.

In addition to making health insurance more affordable, we need to increase the number of doctors working in Arizona. To that end, I am proposing a plan to increase the number of physician residency programs which will help bring more doctors to underserved areas – especially in rural Arizona. Coupled with a second medical school in Phoenix, more residencies will mean more doctors for our people.

We will continue to help people with the skyrocketing cost of prescription drugs. We've had great success with the Copper Card, reducing the costs of prescriptions for thousands of Arizona seniors. This year, we will extend that Copper Card success to all our citizens.

Just as we're all concerned about health care, every parent has to be concerned with the annual sticker shock known as "back to school." I propose that we offer parents some help in getting their children back to school in a way that will be good for business in the process. Let's have a three-day back to school sales tax holiday. No state sales tax on school supplies, clothes, and up to \$1,000 worth of computer equipment. Businesses will do well, parents will do well – and children will do the best, which is what we're looking for.



When gasoline prices went through the roof last year, Arizona families were hit hard.

It is time for us to give those same families some relief on the cost of their cars and trucks. Today, I propose that we cut Arizona's vehicle license tax and, as an added incentive, we cut it in a way that rewards drivers who choose to conserve gasoline. The better gas mileage your car or truck gets, the bigger the cut in the license fee.

If a vehicle gets maximum mileage per gallon, then let's get rid of the license tax altogether. At the same time, let's repay vehicle license tax monies we borrowed to beat the deficit.

This year, we can cut the vehicle license tax and pay off our debts. It's good policy. We can afford it. So, let's make it happen.

A thriving economy means an economy that takes advantage of the jobs and technology of the future. If we want Arizona to be the high-tech powerhouse it can be, we need to invest in the research and innovation that will produce it.

To that end, I ask you to support creation of "Innovation Arizona," that will be the public part of a public-private partnership to improve Arizona's science and technology standing in the world. Innovation Arizona has two charges – first, to provide funding that will attract world-class researchers to Arizona; and second, to support research into new products and technologies that can be commercialized and brought to the market. We're going to emphasize the cutting edge in everything we do here – whether it's sustainable systems technology, nano-tech, bio-tech, defense-tech, aerospace tech or new communications and information technology. Together, we will continue to make Arizona a leader in the 21st century economy.

Arizona continues to change and grow. Thousands of new families come to Arizona, and they choose to stay. To remain strong, we must work to preserve our unique quality of life, and we must work together – coordinating among cities, towns, counties and the state – to deal together with issues like transportation, land use and water.

For Arizona to be strong economically, we must be better stewards of our lands, our forests and our water. I ask Arizona voters to approve the "Conserving Arizona's Future" initiative, to better manage our 9.2 million acres of trust land.

I urge the legislature to give our local communities more tools to deal with the ever-increasing demands on our water, and I propose substantial new investment in the water infrastructure we must have to meet our growing needs.

With an eye to the future, and good planning now, Arizona can show the world how a desert state grows and thrives, even in the midst of a long-term drought.

Arizona's fire season threatens, yet again, to be among the worst. We've seen the devastating fire losses sustained in Texas and Oklahoma already this year. The memories of the Rodeo-Chediski and Aspen fires in Arizona remain far too fresh. We've worked hard to recover, and



worked hard to manage the threat – in fact, we now have more cities and towns with Community Wildfire Protection plans than any other state in the nation.

Yet, we all need to do more. Federal and local governments, business and private landowners need to think ahead and prepare for the coming fire season. There is more money in my budget for fire suppression, and for treatment to prevent fire.

But let me say this again, because it is important: every Arizonan has a role to play here.

As the discussion of fire makes clear, the safety of our people is of paramount importance. Today, I ask every one of you to make this commitment – before the year is over, we will take at least these four steps to dramatically improve the safety of our families and children.

We will step up where the federal government has let us down and impose the rule of law at our border.

We will increase our ability to protect families from sex offenders.

We will have a plan to offer shelter to every victim of domestic violence who asks for it.

And we will shut down the methamphetamine supply chain.

Let us begin with our border.

Last August, I declared an emergency at the Arizona-Mexico border. That finally got the federal government's attention, and I applaud them for beginning to move equipment and manpower to Arizona.

Until that movement is complete, however, the State of Arizona is going to step in because the situation demands it and our citizens deserve it.

Today, I am proposing a four-part plan that will crack down on illegal immigration. My plan is tough, it's realistic, and my budget includes \$100 million to fund it. The Legislature should adopt this plan, and, for the first time, approve the funding it takes for the work we need to do.

First, we are going to come down hard on the criminals that have made human trafficking their business and human suffering their stock in trade. These human traffickers are vicious criminals who exploit misery and prey on fear. We are going to find them, break their criminal syndicates apart, and bring the full weight of the law down on them.

We're going to continue to step up our efforts to track and uncover the fraudulent documents that allow people to live illegally in the shadows. We will expand our high-tech approach to intercept stolen vehicles headed to Mexico before they are used to return to this country carrying loads of illegal immigrants.



Second, we will strengthen the border with the people and equipment we need to fight crime and increase border security for lawful commerce, tourism and legal immigration.

The federal government has promised more border patrol agents for Arizona.

But, until they are here, I have asked Secretary of Defense Rumsfeld to invoke article 32 of the federal code, which allows the federal government to pay for us to station the National Guard at our border. That financial support would allow the Guard to expand its presence and become even more involved in enforcing the rule of law at the border.

I also propose that we give the Department of Public Safety the manpower it needs to keep up with the overwhelming enforcement challenge.

And I want to make sure that law enforcement in the cities and towns that have been hit hardest by illegal immigration have the tools, training and personnel they need.

Third, we are going to get real about one of the root causes of this problem – people come here because they want work and employers here are willing to hire them. If we want to stop illegal immigration, we've got to stop the demand.

Last year, I issued an Executive Order to make clear that the state will not contract with employers who hire people who are here illegally. Now I ask you to expand that effort. Those who continue to intentionally hire illegal immigrants should face substantial fines and penalties.

Finally, I am not going to let up on the federal government. America's borders are Washington's job. Of course, we are going to step up and protect our citizens when the federal government fails them – but this is a federal problem, and we expect the federal government to do its part. It's time that Arizona taxpayers be relieved of carrying the full burden of Washington's mistakes.

Tough and realistic immigration reform, including a guest worker program, must be enacted this year. Our Congressional delegation should come together and pass comprehensive immigration reform, work with Mexico to reform their economic systems to end the flow of illegal migration, and get Washington to reimburse us for the costs we bear to hold up a broken system.

Just as we work to protect our borders, we must work here at home to protect our families. There are 11,000 registered sex offenders in Arizona. They have torn families apart and shattered lives – some of their victims may never truly recover. No one should live in fear that they are helpless to stop any one of these predators before he – or she – strikes again.

I propose a simple change in the law that will allow us – for the first time - to electronically track registered sex offenders. We should also expand sex offender registration laws to include bigamists, and we should remove the statute of limitations for prosecuting felony sex offenses. Together we can send a message to sexual predators – if you think Arizona will let you get away with it, you are dead wrong. We will track you, we will throw the book at you, and we will keep our families safe.



Sadly, there are many different kinds of abuse. Far too many Arizonans, many of them mothers, are victims of domestic violence. Yet today, when a woman is attacked and seeks shelter she is turned away more often than she is taken in. Two out of three women in Arizona who seek shelter from domestic violence are turned away for the simple reason that there is no room.

In government, many problems are complicated, many policies the subject of legitimate debate. This problem is different. There's no room for disagreement, and no question about what to do.

When two-thirds of the women who are victims of domestic violence cannot find shelter, our job is simple. Provide more beds. Find them, build them, buy them. But we must take those women – and their children – in.

Today, I ask you to pledge your support to a simple, straightforward proposal. We will not send victims of domestic violence back into the betraying arms of their attackers. We will not send their children to sleep in the back seat of a car. We will begin to add the shelter necessary to allow these women and children safety and hope.

We also need to address the biggest drug crime in Arizona: methamphetamine.

You've almost certainly seen the pictures. A home that looks just like every other one in the neighborhood – except for the yellow crime-scene tape and the officers in haz-mat suits coming in and out, arms filled with lab bottles and chemical jugs.

The inside of a house where meth has been cooking is unforgettable. The smell is vile, the chemicals are explosive, and, far too often, the only conscious inhabitants are all-but abandoned children. Children who live in meth houses are usually forgotten while their parents go on a high that can last for days. Surrounded by poison, they're hungry, dirty and afraid.

No illegal drug is more responsible for violent crime in Arizona. Methamphetamine is number one. And the key ingredients are easier to get than antibiotics.

The basic building block of meth is a non-prescription decongestant called pseudoephedrine. Dozens of over-the-counter cold medicines contain it. Yes, an increasing amount of methamphetamine is imported illegally across our southern border. But all the local meth cooker needs is a trip to the corner store.

With a very simple set of measures, we can take significant steps to put those meth cookers – here, and across the border – out of business.

Our Attorney General has been a leader in the fight to shut the doors on the meth supply line. I applaud him for his work. Several Arizona cities have already put cold medicines with pseudoephedrine behind the counter.

This year, send me a tough meth bill I can sign into law. Last year's bill was a start, but it wasn't strong enough.



Next, the Arizona State Board of Pharmacy has already taken aggressive steps to inspect businesses and to track pseudoephedrine sales. I've asked them to do more. With your support, the Board can expand its electronic prescription monitoring system to include non-prescription drugs, giving us another tool for tracking sales of meth making chemicals.

And the enhanced border enforcement I have already discussed will further squeeze the dealers who try to import this dangerous drug.

With this combination – a tougher law, more thorough and faster tracking, and enhanced law enforcement - we have a plan that can successfully tackle the meth problem.

I cannot leave the subject of the safety of our citizens without thinking of – and thanking – our military veterans.

We came through the federal base reduction process this year and protected all of our major installations. It took the hard work of our Military Affairs Commission, legislators, and community leaders to hold onto our bases and their missions.

Now, we have an obligation to protect the people who have protected all of us. There are 585,000 veterans in Arizona, with more coming home all the time. Nearly every one of them is entitled to federal benefits, but the process is not simple and it is not fast.

The state provides Veterans Benefits Counselors – as well we should – to help vets navigate the federal maze of paper and regulation. We know for a fact that individuals who work with a veterans benefits counselor will receive substantially more than those who do not.

But here's the tragedy: for those 585,000 Arizona vets, we have exactly 19 veterans benefits counselors. That's statewide; that is wrong.

In my budget, I propose that we triple the number of veterans benefits counselors this year. Our vets have earned every benefit they are entitled to; we must give them every bit of help they need.

I have proposed before, and will include in my budget again, funding necessary to create a new Veteran's cemetery in Northern Arizona, and to build a Veteran's home in Southern Arizona.

I cannot walk away from this podium today without also thanking state employees.

You've gone for a long time with minimal – really, virtually no – increases in pay. Yet you have hung in there, worked hard, and remain committed to making Arizona what you believe it can be.

You deserve a raise, and I know this legislature agrees with me. My budget proposes, and I urge the Legislature to enact, a substantial increase in the paycheck of our state employees.



It is a new year; time to reflect on where we've been, the loved ones we've lost, and the lives we've led. And it is time to recommit to the work we do for Arizona – creating a state that is safe, strong and prosperous. A place we want to call 'home' for ourselves, our children and our children's children

This is the Arizona we've been building.

This is the Arizona we are proud of.

This is the Arizona that is our home.

Thank you.